

*Financial Statements of*

**Saskatchewan Association of Health Organizations  
Core Dental Plan**

*December 31, 2010*





## Provincial Auditor Saskatchewan

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### INDEPENDENT AUDITOR'S REPORT

To: The Members of the Saskatchewan Association of Health Organizations

I have audited the accompanying financial statements of Saskatchewan Association of Health Organizations Core Dental Plan (Plan), which comprise the statement of financial position as at December 31, 2010 and the statements of operations and net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

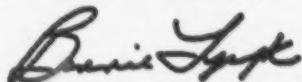
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### *Opinion*

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Plan as at December 31, 2010, and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan  
May 19, 2011

  
Bonnie Lysyk, MBA, CA-CIA  
Provincial Auditor



SASKATCHEWAN

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### INDEPENDENT AUDITOR'S REPORT

To: The Members of the Legislative Assembly of Saskatchewan

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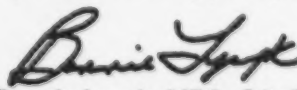
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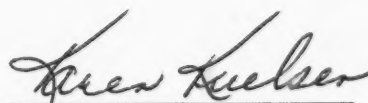
**SASKATCHEWAN ASSOCIATION OF HEALTH ORGANIZATIONS**  
**CORE DENTAL PLAN**  
**Statement of Financial Position**  
**As at December 31**

	2010	2009
<b>ASSETS</b>		
Cash	\$ 5,000	\$ 7,300
Short term investments (Note 3)	11,024,576	8,514,016
Contributions receivable (Note 3, 5)	1,826,174	1,800,542
<b>TOTAL ASSETS</b>	<b>12,855,750</b>	<b>10,321,858</b>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable (Note 5)	48,991	27,008
Provision for unpaid claims (Note 6)	505,000	505,000
Dental claims payable	1,716,843	1,545,540
<b>Total Liabilities</b>	<b>2,270,834</b>	<b>2,077,548</b>
<b>Net Assets</b>	<b>10,584,916</b>	<b>8,244,310</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 12,855,750</b>	<b>\$ 10,321,858</b>

*See accompanying notes*

On behalf of the SAHO Board of Directors:

  
 Director

  
 Director

**SASKATCHEWAN ASSOCIATION OF HEALTH ORGANIZATIONS  
CORE DENTAL PLAN**

**Statement of Operations and Net Assets**

**For the year ended December 31**

	<u>2010</u>	<u>2009</u>
<b>REVENUES</b>		
Employers and employees contributions (Note 5)	\$ 22,140,394	\$ 21,249,118
Interest	64,344	46,974
<b>Total Revenues</b>	<u>22,204,738</u>	<u>21,296,092</u>
<b>EXPENSES</b>		
Dental claims	18,778,314	17,341,621
Change in provision for unpaid claims (Note 6)	-	45,000
Administrative expenses (Note 5)	971,128	872,368
Consulting fees	96,392	73,030
Professional fees	18,298	12,279
<b>Total Expenses</b>	<u>19,864,132</u>	<u>18,344,298</u>
<b>Increase to Net Assets</b>	<b>2,340,606</b>	<b>2,951,794</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>8,244,310</u>	<u>5,292,516</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 10,584,916</u>	<u>\$ 8,244,310</u>

*See accompanying notes*

**SASKATCHEWAN ASSOCIATION OF HEALTH ORGANIZATIONS**  
**CORE DENTAL PLAN**  
**Statement of Cash Flows**  
**For the year ended December 31**

	<u>2010</u>	<u>2009</u>
<b>OPERATING ACTIVITIES</b>		
Contributions received	\$ 22,114,762	\$ 21,161,607
Dental claims paid	(18,607,010)	(17,164,674)
Administrative and professional expenses paid	(1,053,283)	(959,733)
<b>Net cash flows provided by operating activities</b>	<u>2,454,469</u>	<u>3,037,200</u>
<b>INVESTING ACTIVITIES</b>		
Sale of short term investments	19,660,293	18,115,606
Interest	64,344	46,974
Purchases of short term investments	(22,181,406)	(21,200,023)
<b>Net cash flows used in investing activities</b>	<u>(2,456,769)</u>	<u>(3,037,443)</u>
<b>Net decrease in cash</b>	<u>(2,300)</u>	<u>(243)</u>
<b>CASH, BEGINNING OF YEAR</b>	<u>7,300</u>	<u>7,543</u>
<b>CASH, END OF YEAR</b>	<u>\$ 5,000</u>	<u>\$ 7,300</u>

*See accompanying notes*



# **SASKATCHEWAN ASSOCIATION OF HEALTH ORGANIZATIONS CORE DENTAL PLAN**

## **Notes to the Financial Statements**

December 31, 2010

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### **1. DESCRIPTION OF PLAN**

#### *a) Effective date*

The Saskatchewan Association of Health Organizations (SAHO) Core Dental Plan (the Plan) was established on January 1, 1986.

#### *b) Purpose of the Plan*

The purpose of the Plan is to promote good dental health to its members by reducing dental costs for preventive, routine and major dental services. The Plan is a multi-employer benefit plan that is administered by SAHO on behalf of eligible employees of participating member organizations. Claims adjudication and benefit payment services are done through an agreement with the Great-West Life Assurance Company (GWL). Refer to the Plan Commentary for further information on the Plan.

#### *c) Eligibility*

The Plan is available to the employees and their immediate families of contributing member organizations of SAHO with certain restrictions based on nature of employment and term of service. Refer to the Plan Commentary for further information on the Plan's eligibility requirements.

#### *d) Employers' and employees' contributions*

The monthly contribution rate at December 31, 2010 is \$56.50 per eligible full-time-equivalent employee (2009 - \$55.00 per eligible full-time-equivalent employee). Cost sharing arrangements of the monthly contribution rate between the employee and employer varies by each employer.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

These financial statements are prepared in accordance with Canadian generally accepted accounting principles (GAAP) and include the following significant accounting policies:

#### *a) Financial instruments*

All financial instruments that are financial assets and financial liabilities have been identified and classified. The classification determines how each financial instrument is measured. The Plan's financial instruments and their classifications, which were determined by SAHO as the administrator of the Plan, are as follows:



**SASKATCHEWAN ASSOCIATION OF HEALTH ORGANIZATIONS  
CORE DENTAL PLAN**

**Notes to the Financial Statements**

**December 31, 2010**

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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(i) Short term investments**

Short term investments are classified as held-for-trading and are measured at fair value. Fair value is determined based on the published quote for the Fund. The Plan's short term investments consist of units of a Canadian money market fund. The Plan selected held-for-trading classification as this reflects the Plan's investment intentions. Any changes in the fair value are recognized in the Statement of Operations and Net Assets. Distributions from this fund in the form of interest income are recognized in income as they are earned. Transaction costs are expensed as incurred.

**(ii) Cash, Contributions receivable, Accounts payable, and Dental claims payable**

Cash is classified as held-for-trading and is recorded at fair value. Contributions receivable are classified as loans and receivables while accounts payable and dental claims payable are classified as other liabilities. Each of these financial instruments is measured at amortized cost which approximates their fair value due to their short term nature.

**b) *Employers' and employees' contributions***

At the end of each month, employers determine the contributions owing based on the number of eligible full-time-equivalent employees. Contributions are recognized as revenue in the period to which they apply.

**c) *Provision for unpaid claims***

The provision for unpaid claims represents an estimate for the cost of claims incurred but not reported at year end. Any resulting change in this provision is recognized as a revenue or expense in the Statement of Operations and Net Assets.

**d) *Use of estimates***

The preparation of financial statements in conformity with Canadian GAAP requires the administrator to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimations.

**SASKATCHEWAN ASSOCIATION OF HEALTH ORGANIZATIONS  
CORE DENTAL PLAN**

**Notes to the Financial Statements**

December 31, 2010

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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*e) Future accounting standards*

The Accounting Standards Board (AcSB) requires all publicly accountable enterprises (PAE's) to adopt International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011. The AcSB has stated that pension plans (as defined below) are PAE's; however, it has mandated that these plans will follow Section 4600 *Pension Plans*, of the CICA Handbook, rather than the applicable IFRS standard.

Section 4600 *Pension Plans*, is effective for fiscal years beginning on or after January 1, 2011 and is to be applied retrospectively to all prior periods presented. The Section applies not only to pension plans but also to benefit plans with characteristics similar to pension plans that provide benefits other than pensions (for example, retiree health care and life insurance benefits, long-term disability plans, and master trusts). This new Section is applicable to the Plan for its fiscal year commencing on January 1, 2011. The adoption of this new Section is not expected to have a material impact on the financial statements of the Plan as the majority of the new items are disclosure related items.

**3. FINANCIAL INSTRUMENT RISK MANAGEMENT**

*a) Credit risk*

Credit risk arises from the potential for issuers of securities and counterparties to default on their contractual obligations.

Short term investments consist of an investment in a Canadian Treasury Management Fund (the Fund) that invests in Canadian dollar denominated debt instruments, such as treasury bills of Canadian governments, bankers' acceptance of Canadian chartered banks and commercial paper of corporations and/or trusts. The Plan requires a minimum credit rating of R1 mid or equivalent. Earnings in the Fund are reinvested. The portfolio is monitored continuously and reviewed regularly by SAHO's Board of Directors.

The Plan's maximum credit risk exposure related to financial assets is as follows:

**SASKATCHEWAN ASSOCIATION OF HEALTH ORGANIZATIONS  
CORE DENTAL PLAN**

**Notes to the Financial Statements**

December 31, 2010

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**3. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)**

*a) Credit risk (continued)*

Cash	\$ 5,000
Short term investments	11,024,576
Contributions receivable	1,826,174
	<hr/>
	\$ 12,855,750

The Plan is exposed to minimal credit risk from the potential non-payment of contributions receivable as these receivables are from related parties (Note 5) and are collected monthly.

**Determination of fair value**

The best evidence of a fair value is from an independent quoted market price for the same instrument in an active market. An active market is one where quoted prices are readily available, representing regularly occurring transactions. The determination of fair value requires judgment and is based on market information where available. Fair value measurements are categorized into levels within a fair value hierarchy based on the nature of the inputs used in the valuation.

- Level 1 – quoted prices in active markets are readily available.
- Level 2 – valuation models using observable market inputs other than quoted market prices.
- Level 3 – models using inputs that are not based on observable market data.

All fair values of the short term investments of the Plan at December 31, 2010 and December 31, 2009 used Level 1 basis of fair values.

*b) Liquidity risk*

Liquidity risk is the risk that the Plan is unable to meet its financial obligations as they fall due. This risk is managed by the Plan by investing in financial assets with a very short term to maturity. The financial liabilities, which are also short-term in nature, are due within one year. The Plan generally maintains positive cash flows generated from its operating activities and supplements any shortfalls from its short-term investment portfolio.

**SASKATCHEWAN ASSOCIATION OF HEALTH ORGANIZATIONS  
CORE DENTAL PLAN**

**Notes to the Financial Statements**

December 31, 2010

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**3. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)**

*b) Liquidity risk*

The estimated contractual maturities of the Plan's financial liabilities at December 31, 2010 are up to three months for accounts payable, the provision for unpaid claims and dental claims payable.

**4. CAPITAL MANAGEMENT**

The primary objective of capital management for the Plan is to maintain an adequate balance in its short term investments portfolio which is used to assist in achieving consistency and stability in funding and to pay the Plan's current and future approved claims. The Plan is not subject to any externally imposed capital requirements.

The Plan's only source of cash is the contributions received from the employees and employers that are enrolled in the Plan. The contribution rate is reviewed regularly to ensure they support the expenditures of the Plan. Neither SAHO, as the administrator, nor the members contribute any other cash to the Plan. Also, the Plan cannot go to public capital markets to issue debt or common shares.

**5. RELATED PARTY TRANSACTIONS**

These financial statements include transactions with related parties. The Plan is indirectly related to various Saskatchewan Crown Agencies such as ministries, corporations, boards, and commissions under the common control of the Government of Saskatchewan. The Plan is also indirectly related to non-Crown enterprises that the Government jointly controls or significantly influences. Transactions with these related parties are in the normal course of operations. They are recorded at the agreed upon exchange rates and are settled on normal trade terms.

Due to the nature of the Plan, substantially all of the contribution revenue is from related parties. Amounts owing to SAHO and the recorded amounts of these transactions and amounts due to or from other related parties as a result of the transactions referred to above, are included in the financial statements and in the table below:

**SASKATCHEWAN ASSOCIATION OF HEALTH ORGANIZATIONS  
CORE DENTAL PLAN**

**Notes to the Financial Statements**

December 31, 2010

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**5. RELATED PARTY TRANSACTIONS (continued)**

	<u>2010</u>	<u>2009</u>
Contributions receivable	\$ 1,826,174	\$ 1,800,542
Employers and employees contributions	22,140,394	21,249,118
Accounts payable	38,862	20,403
Administrative expenses	971,128	872,368

In addition, the Plan pays Provincial Sales Tax to the Saskatchewan Ministry of Finance on all of its taxable purchases. Taxes paid are recorded as part of the cost of the purchases.

**6. PROVISION FOR UNPAID CLAIMS**

The provision for unpaid claims represents an estimate, based on historical claim experience, for the cost of claims incurred but not reported at year end. The terms of the Plan requires that eligible claims must be submitted within 120 days of the end of the calendar year in which the expense was incurred.

The provision for eligible claims incurred prior to December 31, 2010 amounts to \$505,000 (December 31, 2009 – \$505,000) and includes a 3.85% (2009 – 3.85%) provision for administrative costs for these claims.